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January 3, 2002

Ms. Gloria Blue
Executive Secretary
Trade Policy Staff Committee
Office of the U.S. Trade Representative
600 17th Street N.W.
Washington D.C. 20508

VIA E-MAIL AND FIRST-CLASS MAIL **PUBLIC DOCUMENT**

Re: Steel Industry Section 201 Investigation (ITC Inv. No. TA-201-73); Large Diameter Line Pipe from Canada

Dear Ms. Blue:

Tuscarora Gas Transmission Company ("Tuscarora") submits this letter in support of the request by IPSCO Sales Inc. ("IPSCO") for the exclusion of Canada from any safeguard remedies that might apply to imports from other countries of welded non-OCTG tubular products, and requesting in particular the exclusion of Large Diameter Line Pipe ("LDLP") from Canada.

Tuscarora is a Nevada-based pipeline operator. We maintain a 229-mile interstate pipeline system that transports natural gas from Oregon, where it interconnects with the facilities of PG&E National Energy Group, Gas Transmission, Northwest, to northern Nevada. Tuscarora is 50 percent owned by Tuscarora Gas Pipeline Company, 49 percent owned by TC Tuscarora Intermediate Limited Partnership, and 1 percent interest owned by TCPL Tuscarora Limited, all U.S. companies.

Tuscarora, along with the other extensive U.S. pipeline operations of TransCanada and its affiliates, has traditionally relied on LDLP from Canada as an important source of qualified and dependable LDLP supply. A significant percentage of U.S. domestic oil and gas output flows through pipelines made with Canadian LDLP. Future U.S. energy projects of national importance might be deferred or jeopardized by the inability of U.S. oil and gas companies to acquire LDLP across the northern border in a timely and cost-effective manner. The reason for this is that there are very limited sources of U.S. supply of LDLP.

This is supported by the findings of the International Trade Commission ("ITC") in the Section 201 investigation, which do not support a safeguard remedy for U.S. LDLP. In its injury determination, the ITC did not find that imports of LDLP from Canada had injured U.S. LDLP producers. Rather, by a 3-to-3 vote, the ITC split on whether the broader category of non-OCTG tubulars from Canada had contributed importantly to serious injury. This broader category includes commodity-grade, lower-value tubular products (including both standard pipe and structural tubing). For this reason, any quota on the broader product category (non-OCTG tubulars) from Canada would have to include a separately earmarked provision for LDLP to prevent these commodity-grade imports from filling the quota.

Most importantly, the ITC's findings and recommendations regarding remedy recommend that LDLP be excluded from any remedy for the broader category of non-OCTG welded pipe. The basis of this recommendation is:

> These products appear to be produced in the United States in very limited quantities, if at all and have been excluded from recent antidumping proceedings. Furthermore, the primary U.S. producers of welded large diameter line pipe do not object to the exclusion of these products in this recommendation.

(*Steel*, Inv. No. TA-201-73 (December, 2001) at 385.) Accordingly, there is no basis in the ITC's injury determination or findings and recommendations on remedy to impose any remedy for LDLP. Moreover, such a remedy can only harm U.S. pipeline customers.

Just as Tuscarora, a U.S. pipeline system with Canadian affiliations, demonstrates the importance of U.S.-Canadian cross-border investment to the energy security and oil & gas sectors of both countries, IPSCO's U.S.-Canadian pipe and tube production operations demonstrate that upstream suppliers of critical inputs to the U.S. pipeline industry are also fully integrated across the northern border. U.S. pipeline customers of IPSCO's Canadian LDLP production operation would be a principal victim of any increased tariffs or tariff-rate quotas on LDLP from Canada. The harm could flow down to our industrial customers and ordinary consumers in Nevada, California and many other states which have benefited from cross-border energy industry integration and cooperation.

LDLP business is transacted on a project basis, with fluctuating volumes depending on pipeline construction activity. Pipeline orders can come in a flurry and then be dormant for a number of years. Without an exclusion or separate line item for LDLP, a quota on all welded non-OCTG tubulars from Canada could be filled almost entirely by lower-valued commodity-grade tubular products, while orders from U.S. pipelines for Canadian LDLP later in the year are blocked.

Tuscarora therefore supports IPSCO's request either for the exclusion from trade restraints of all non-OCTG tubulars from Canada, or, in the alternative, the exclusion or special treatment for quota purposes of LDLP from Canada.

Respectfully submitted,

TUSCARORA GAS TRANSMISSION COMPANY

Theo van Besouw
Director, Engineering & Operations

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